C2C Zeolite Corporation

2004 Annual Report

President's Message

I am pleased to present the company's 7th Annual Report. The past year has been both challenging and rewarding. Utilization of C2C's zeolite technologies and products has grown dramatically throughout the year, specifically in the area of supplying specialty zeolite for use in oil and gas well cementing. According to experts, C2C's new zeolite cementing system is the first major breakthrough in down hole cementing systems in more than two decades, and we look forward to continued success in this field.

C2C experienced unanticipated high demand for zeolite in the last quarter of 2003 and the first quarter of 2004. The company reported lower sales due to insufficient production capacity and severe weather conditions at the mine site in British Columbia. In the second quarter of 2004, the extreme wet spring weather in Western Canada slowed drilling activity, resulting in lower than normal oil and gas cementing.

C2C has secured additional production capacity in Alberta. As well, the company is participating in the construction of a production plant in British Columbia. I anticipate C2C will be able to meet all of the demand for the zeolite in Alberta and Northern British Columbia for the 2004 and 2005 peak oil and gas drilling season.

The demand for C2C's zeolite products is tied to the oil and gas exploration activity in Western Canada, with the strong prices for oil and gas the anticipation is that demand will remain strong for at least the next 2 years.

Product development work is continuing on zeolite additives and cementing systems for the oil and gas well cementing systems in the United States. The development work is being conducted in collaboration with GSA Resources of Arizona and Halliburton Energy Services, Inc. C2C is also expanding product development initiatives for the use and application of its zeolite resources located near Kamloops British Columbia for use in the construction industry.

C2C is continuing the strategy of conducting zeolite research and product development with its network of customers and collaborative commerce agreements, nationally and internationally to increase sales for C2C's specialty zeolite products, technologies and applications.

LuVerne E.W. Hogg

President and CEO
June 30, 2004

B.C. Form 51-901F
For The 4th Quarter Ending June30, 2004

Issuer Details

Name of Issuer	C2C Zeolite Corporation
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Contact Position	President
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Website	www.c2czeolitecorp.com

Certificate

The schedules required to complete this report are attached and the disclosure contained therein has been approved by the Board of Directors. A copy of this Report will be provided to any shareholder who requests it.

"signed"	"signed"
LuVerne E.W. Hogg	Gerald A. Diener
06/30/04	06/30/04
Date	Date

Management's Discussion and Analysis of Financial Condition
And Results of Operations

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This discussion and analysis of the results of the operations and financial condition of the Corporation should be read in conjunction with the unaudited financial statements for the Corporation for the period ending June 30, 2004.

NARRATIVE DESCRIPTION OF THE BUSINESS

C2C is engaged in exploration, development and marketing of non-metallic minerals ("Industrial Minerals"), and in particular zeolite.

Zeolites comprise a group of hydrous silicates, which possess close similarities in chemical composition, geological association, and mode of occurrence. Zeolites are a nanostructured three dimensional framework of calcium and sodium which contain variable amounts of water within the voids of the molecular framework. Zeolites are constructed from an array of alumina tetrahedral. The structures are open and contain large cavities filled with water molecules. The cavities are interconnected by channels in one to three directions, depending on the classification of the zeolite. Electrical neutrality is maintained by monovalent and divalent cations such as calcium (Ca_2), sodium (Na+), potassium (k+), magnesium (Mg_2) and barium (Ba_2), which occupy sites in the network of channels and voids and are surrounded by water molecules. The cations can be removed or exchanged without affecting the structure.

When the water is removed by heating, the framework structure remains intact and the cations become coordinated with oxygen on the inner surfaces of the cavities, the zeolite then becoming a micro porous solid. Depending on the type of zeolite, the channel diameters vary from approximately two to six angstroms in size.

Zeolites are used in a wide variety of industrial applications throughout the world. The uses are determined by zeolite species, availability, location and cost. Some specific uses of zeolites are as follows:

Concrete Applications: as an addition to specialty cements and mortars for alkalie and acid resistance; as raw material for light-weight zeolite concretes; and to alter rhyology of the concrete mixtures.
Molecular Sieves,Catalysts; Increasing development of the crystalline zeolites in advanced applications
Environmental: as an encapsulator of industrial and hazardous waste waters and solids.
Horticultural: as a soil amendment; compost aid to reduce bacterial nitrification; as a soil substrate; as well as fertilizer carrier.
Agricultural: as an additive to animal feed; anti-caking agent; as well as odor-control.
Manufacturing Industries: as a filler/extender in paper as desiccants; as reactive absorbent in plastic and rubber goods.

C2C has conducted extensive research to establish markets for its zeolite materials. Through work conducted jointly with the Institute for Research in Construction ("IRC"), a division of the National Research Council ("NRC"), on Lightweight Zeolite Concrete ("LZC") and the Encapsulation of Industrial and Hazardous Wastes. Further product development work was conducted in conjunction with the Department of Metals and Materials Engineering at the University of British Columbia to develop formulations for specific LZC applications. This project, partially funded by the Science Council of British Columbia, was completed in June of 2001, and produced a number of formulations for application in shotcrete, down hole cementing, structural and specialty construction products and amendments to traditional cement systems.

Management of the Corporation is not aware of any trend, commitment, event or uncertainty that can reasonably be expected to have a material effect on the issuer's business, financial condition or results of operations. There are significant risks inherent in the business of the Corporation inclusive of the lack of assurance that a commercially viable market of an industrial mineral will develop, competition, variation in industrial mineral prices, exposure to environmental and other regulatory requirements, and the lack of assurance that additional funding necessary to continue the business of the Corporation will be received.

During the prior three-year period, C2C has shifted its efforts from the operation of processing materials to developing specific products and their markets. This was accomplished through an agreement with Industrial Mineral Processors of Calgary, Alberta, effective as of November 7, 2001, for the sale of the Z2 Zeolite Production Division consisting of the Z2 Zeolite Deposit, the Ashcroft Processing Plant and all associated property and fixtures, in exchange for the assumption and elimination of certain debts of the Corporation while providing for continued access to the Z2 material for ongoing sales initiatives.

The agreement includes a provision for the Corporation to receive royalty payments on zeolite sales in accordance with an established schedule.

The Company has initiated a strategy to market its products through collaborative commerce agreements, which provide the Corporation with strong industry representation and security of supply without large-scale capital investments. Brief descriptions of existing agreements are outlined below.

JOINT DEVELOPMENT & MARKETING AGREEMENT, PURCHASE OF ZEOLITE AGREEMENT - HALLIBURTON ENERGY SERVICES LTD.

C2C Zeolite Corporation and Halliburton Energy Services Ltd. ("Halliburton") entered into a joint development agreement in July of 2001. This agreement outlined the terms whereby final technical qualification and performance specification work can be conducted for products marketable across the oil and gas industry service sector. In February of 2003 the parties completed an Agreement relating to purchases of zeolite throughout the world. Terms and conditions of these agreements are to remain confidential due to the competitive nature of the industry; copies of both have been filed in confidence with the TSX Venture Exchange .Zeolite product for this application has been toll processed at a facility in

souther Alberta since February of 2003. Additional toll processing has been arranged at a facility in Aldersyde Alberta since December of 2003.

JOINT PRODUCTION COMPANY ESTABLISHED WITH ZEO-TECH ENVIRO CORP AND FIRST AMERICAN SCIENTIFIC CORP.

C2C Zeolite Corporation and Zeo-Tech Enviro Corp .and First American Scientific Corp have established a joint operating Company. United Zeolite Products Ltd., a private company with ownership held by C2C , Zeo-Tech and First American will process zeolite from Zeo-Tech's Princeton zeolite deposit.A $5,000,000 supply contract has been awarded to the operating company United Zeolite by Halliburton Group Canada to use the speciality zeolite for its cementing activities in western Canada.
Construction of the zeolite processing plant at Princeton BC is underway with a planned completion in the 4th quarter of 2004...

COLLABORATIVE COMMERCE AGREEMENT WITH GSA RESOURCES

Completed in July 2002, the agreement combines C2C technology with GSA zeolite to produce ZeoFume, a specialty zeolite product developed by C2C for use in cementacious systems to improve performance. In addition, this agreement allows both parties to market an expanded range of zeolite products and applications across North America, drawing on the unique characteristics of each zeolite and the patented technologies and proprietary applications developed by each company. Product research and development are continuing on the application of this zeolite for use in down hole cementing .In April 2004 C2C Zeolite Corporation ,GSA Resources Inc. and SOMEZ s.a.r.l. sighned a letter of intent to create a jointly held corporation to aquire and manage a zeolite processing plant in Arizona to produce zeolite products for the domestic and overseas markets. Timing of the development is dependant on the success of product development work that is on going and financing..

Trans Canada Joint Venture

The joint venture was formed with Newtech Commercialization Ltd of Aldersyde Alberta. The joint venture was formed to commercialize C2C,s unique crystalline zeolite occurrences contained within C2C's Trans Canada mineral property located east of Kamloops B.C. The joint venture is focusing on commercial opportunities in developing concrete systems and additives. The core of the development is the utilization of C2C's expertise in zeolite product development and Newtech's revolutionary new fine grinding technology. Product development trials began in June at the Newtech facility at Aldersyde Alberta.

RESULTS FROM OPERATIONS AND CASH FLOWS

Sales and Royalty revenues are up significantly for the year ended June 30,2004 to $418,911 (2003$260.294) due toincreased sales relating to the supply contract with Halliburton Group Canada.

Accounts Receivable, Inventory and Accounts Payable are also higher than last year due to this sales increase .Extreme wet and freezing conditions at the zeolite mine resulted in an increase in the cost of sales due to additional handling and drying of the crude zeolite ore. This had a negative effect on gross margin which management believes will improve in the future with higher volume and better weather conditions.

Professional fees, general and administration have increased over 2003 as a result of the increased cost of legal ,accounting, audit, exchange fees due to the implementation of the new and changing regulations governing public companies.

FINANCIAL OUTLOOK

The successful adoption of zeolite for use in down hole cementing has prepared a foundation for sustainable grow of revenues as the application of this unique system expands to additional environments and achieves increasing market penetration. The demand for the zeolite in this application is strong and has resulted in the additional toll processing arrangements. This expansion will be supported by the network of collaborative commerce relationship established over the past 24 months, which ensures and adequate

supply of zeolite with a range of functional application are available to meet increasing market demands throughout North America, Australia and the Middle East.

Management continues to monitor estimated working capital and capital expenditures to maximize the existing cash resources while continuing to reduce company dept.

The ability of the Company to continue to operate is dependent on the continued support of certain shareholders and the raising of additional capital or achieving profitable results from new contracts. There can be no assurance that additional capital will be available to the Company from any source or that, if available, it will be at prices or on terms acceptable to the Corporation. Failure to find sources of funds would have a material adverse affect on the Company.

WRITE DOWN OF ASSETS

In accordance with generally accepted accounting practices, the Company has chosen to write down the value of both deferred exploration and deferred research and development carried forward from previous periods due to a weakened cash position.

Both Management and C2C's Board of Directors continue to be committed to introducing the Company's technologies to market. Given the current financial constraints, the primary area of focus is the ZeoFume line of products developed through collaborative work with the National Research Council , the University of British Columbia and customers. C2C is committed to the commercialization of it technologies and zeolite products

DIRECTORS AND OFFICER OF THE CORPORATION

Names, municipality of residence and position held within the Corporation for of each of the directors and officers of the Corporation as at the date hereof are set forth below.

LuVerne E.W. Hogg
Calgary, Alberta
President, CEO and Director

Dr. James Graham
Cochrane,Alberta
Director

Gerald A. Diener
Calgary, Alberta
CFO and Director

Daniel T. Eyde
Cortaro, Arizona
Director

Lindsey Lacy
Calgary, Alberta
Corporate Secretary/Treasurer

FORWARD LOOKING STATEMENTS

Certain statements in this report may constitute forward-looking statements. Such forward looking statements involve risks, uncertainties and other factors which may cause actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied in forward looking statements.

C2C ZEOLITE CORPORATION

Financial Statements

For the years ended June 30, 2004 and 2003

AUDITORS' REPORT

To the Shareholders of
C2C Zeolite Corporation:

We have audited the consolidated balance sheets of C2C Zeolite Corporation as at June 30, 2004 and 2003 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
July 23, 2004

(Signed) Dick Cook Schulli
CHARTERED ACCOUNTANTS

Consolidated Balance Sheets

	As at June 30, 2004	As at June 30, 2003
Assets		
Current		
Cash	$ 36,851	$ 54,348
Accounts receivable - Note 4	127,924	96,190
Inventory	30,800	-
	195,575	150,538
Capital - Note 5	4,081	3,294
Reclamation deposits - Note 8	2,500	2,500
	$ 202,156	$ 156,332
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 236,938	$ 149,148
Contract fees payable - Note 9	127,176	128,733
Notes payable - Note 10	-	14,000
Related party advances - Note 11	-	1,872
	364,114	293,753
Going concern - Note 2		
Shareholder's Deficiency		
Share capital - Note 12	2,966,287	2,820,777
Deficit	(3,128,245)	(2,958,198)
	(161,958)	(137,421)
	$ 202,156	$ 156,332

Approved by the Board:

(Signed) Lu Verne Hogg

(Signed) James Graham

See accompanying notes

Consolidated Statements of Loss and Deficit

	For the years ended June 30, 2004	2003
Revenue		
Product sales	$ 397,232	$ 231,510
Royalties	21,679	29,294
	418,911	260,804
Cost of sales	425,237	177,920
Gross margin (loss)	(6,326)	82,884
Expenses		
Amortization of capital assets	1,203	1,263
Consulting fees	45,003	64,903
General and administration	57,120	38,934
Interest - Note 9	11,568	11,458
Professional fees	43,895	11,337
Research and development	6,832	-
	165,621	127,895
Loss from operations	(171,947)	(45,011)
Other expenses (revenues)		
Interest and other income	(1,900)	(2,632)
Writedown (recovery) of deferred development costs	-	(40,327)
Writedown of deferred exploration costs	-	19,536
	(1,900)	(23,423)
Net loss for the year	(170,047)	(21,588)
Deficit, beginning of year	(2,958,198)	(2,936,610)
Deficit, end of year	$ (3,128,245)	$ (2,958,198)
Loss per share - basic and diluted	$ (0.01)	$ (0.00)
Weighted average number of shares outstanding	20,507,282	19,267,181

See accompanying notes

Consolidated Statements of Cash Flows

	For the years ended June 30, 2004	2003
Cash was provided by (used for):		
Operating activities		
Net loss for the year	$ (170,047)	$ (21,588)
Add items not affecting cash:		
Amortization of capital assets	1,203	1,263
Writedown (recovery) of deferred development costs	-	(40,327)
Writedown of deferred exploration costs	-	19,536
	(168,844)	(41,116)
Changes in non-cash working capital items:		
Accounts receivable	(31,734)	(71,982)
Inventory	(30,800)	23,540
Accounts payable and accrued liabilities	87,790	12,962
Contract fees payable	(1,557)	233
	(145,145)	(76,363)
Financing activities		
Issuance of common shares	145,510	76,000
Share subscriptions received	-	52,690
Notes payable	(14,000)	14,000
Related party advances (repayments)	(1,872)	(3,912)
	129,638	138,778
Investing activities		
Acquisition of capital assets	(1,990)	-
Disposition of capital assets	-	150
Development costs incurred (recovered)	-	4,600
Exploration costs incurred	-	(19,536)
Accounts payable and accrued liabilities relating to investing activities	-	3,458
	(1,990)	(11,328)
Increase (decrease) in cash	(17,497)	51,087
Cash, beginning of year	54,348	3,261
Cash, end of year	$ 36,851	$ 54,348
Supplemental disclosure of non-cash flow information:		
Recovery of deferred charges allocated against accounts payable	$ -	$ 35,827
Supplemental disclosure of cash flow information:		
Cash interest paid	$ 11,568	$ 11,458

See accompanying notes

Note 1 - Nature of Business

The Corporation has concentrated its efforts and focused its operations on the commercialization of certain patented and proprietary zeolite technologies.

Note 2 - Going Concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Corporation has negative working capital of $168,539 and an accumulated deficit of $3,128,245 as at June 30, 2004. Ongoing operations have been financed in part by loans from shareholders and proceeds on issuing shares and debt instruments.

The Corporation's ability to continue as a going concern is dependent upon its ability to raise additional share capital, and thereafter attain profitable operations through production, generate working capital sufficient to meet current and future obligations and the continued support of the various creditors, lenders and shareholders. It is not possible to predict whether any financing efforts will be successful or if the Corporation will attain profitable levels of operations.

The consolidated financial statements do not include any adjustments relating to the recoverability and the classification of asset carrying amounts or the amount and classification of liabilities that might result should the Corporation be unable to continue as a going concern.

Note 3 - Significant Accounting Policies

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly-owned inactive subsidiary. All intercompany transactions have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

Note 3 - Significant Accounting Policies *(Continued)*

(c) Deferred development costs

Development costs related to certain zeolite technologies have been capitalized and deferred until production of commercial quantities, at which time the deferred costs will be amortized over the remaining license period. If commercialization is not feasible, the deferred costs will be charged to operations in the year so determined. Research costs are expended in the period in which they occur. All costs to date have been expensed. (See Note 6)

(d) Deferred exploration costs

Exploration costs relating to non-producing mineral properties are deferred until the properties are brought into production, at which time the deferred costs are amortized using the unit-of-production method based on the property's estimated ore reserves. If a property is abandoned, any capitalized costs related to the property will be charged to operations in the year of abandonment.

The recoverability of amounts shown for deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or favourable proceeds from the disposition thereof. All costs to date have been expensed. (See Note 7)

(e) Administrative expenses

Administrative expenses not relating to exploration activities are charged to operations. Certain administrative expenses incurred by the Corporation which are related to exploration activities are allocated to and included in deferred exploration expenditures.

(f) Inventory

The inventories of raw materials and finished goods are valued at the lower of cost and net realizable value, with cost being determined on the first-in, first-out basis.

(g) Capital assets and amortization

Capital assets are stated at cost. Amortization is provided using the following annual rates and methods which are designed to apportion the cost of the assets over their estimated useful lives as follows:

Computer equipment	30% declining balance basis
Office furniture and equipment	20% declining balance basis

Note 3 - **Significant Accounting Policies** ***(Continued)***

(h) Impairment

The Corporation assesses the carrying values of its long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undisclosed future cash flows is less than the assets' carrying values. If impairment is indicated, the loss is measured based on the amounts by which the assets' carrying values exceed their fair values.

(i) Revenue recognition

Revenue from product sales is recognized once the earnings process is complete. This is evidenced by an agreement between the Corporation and customer for products and agreed pricing, delivery of products and acceptance of the product by the customer.

Royalty revenues are recognized quarterly upon receipt of payment in accordance with the royalty agreement.

(j) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed using the weighted average number of common and common equivalent shares outstanding during the period using the "treasury stock" method. Common equivalent shares consist of the incremental common shares issued upon the exercise of stock options and warrants unless their effect is anti-dilutive. The Company had a net loss for all years presented herein; therefore, none of the options and warrants outstanding during each of the periods presented were included in the computation of diluted loss per share as they were anti-dilutive.

(k) Income taxes

The asset and liability method is used for determining income taxes. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable which would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur.

No recognition of future income tax assets has been reflected in these financial statements as the Corporation has yet to achieve profitable operations.

Note 3 - Significant Accounting Policies ***(Continued)***

(l) Stock-based compensation

The Company records all stock-based payments to the Company's officers, directors and employees, granted on or after April 11, 2003, and all stock-based payments to non employees granted on or after April 1, 2002, at fair value. The fair value of stock options is determined using the Black-Scholes Option Pricing Model. The fair value of stock options that vest in the year is recorded as an expense in the statement of operations for this year. No options in the current year were granted.

(m) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Canada requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ from those estimates.

(n) Reclamation costs

Ongoing reclamation costs are charged to operations in the period that they are reasonably determinable. Reclamation deposits paid by the Corporation are shown as non-current assets. No costs have been incurred to date.

(o) Foreign exchange translation

The Corporation's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of the transaction. Revenues and expenses are also translated at rates in effect at the time of the transaction. Gains and losses on translation are included in the results from operations.

(p) Comparative figures

Certain comparative figures have been changed to comply with the current year presentation.

Note 4 - Accounts Receivable

	2004	2003
Trade receivables	$ 93,916	$ 54,781
Royalty receivables	26,640	38,771
Other	7,368	2,638
	$ 127,924	$ 96,190

Note 5 - Capital Assets

2004	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 9,651	$ 6,239	$ 3,412
Office equipment	2,572	1,903	669
	$ 12,223	$ 8,142	$ 4,081

2003	Cost	Accumulated Amortization	Net Book Value
Computer equipment	7,661	$ 5,203	$ 2,458
Office equipment	2,572	1,736	836
	$ 10,233	$ 6,939	$ 3,294

Note 6 - Deferred Development Costs

	2004	2003
Balance, beginning of year	$ -	$ -
Expenditures (recovery) during the year	6,832	(40,327)
(Writedown)/recovery provision	(6,832)	40,327
Balance, end of year	$ -	$ -

The Corporation has taken a write-down provision due to the limited amount of available resources required to complete the development and market the technology.

Note 7 - Deferred Exploration Costs

	2004	2003
Balance, beginning of year	$ -	$ -
Expenditures during the year	-	19,536
Write-down provision	-	(19,536)
Balance, end of year	$ -	$ -

The Corporation took a write-down provision in fiscal 2003 due to the limited amount of available resources required to complete the exploration and market the products.

Note 8 - Reclamation Deposits

Prior to commencement of exploration of a mineral property in British Columbia, a Corporation is required to post a reclamation deposit, which is refunded to the Corporation upon completion of reclamation to the satisfaction of the Inspector of Mines. As at June 30, 2004 the Corporation has posted reclamation deposits of $2,500 (2003 - $2,500) in British Columbia.

Note 9 - Contract Fees Payable

The balance in other payables relates to third party contract fees incurred with respect to research and development of the Corporation's zeolite technologies. The outstanding balance carries interest at the rate of 0.75% per month and the contractor has agreed to the following principal repayment terms:

To November 30, 2002	$ 500
To May 31, 2004	750
To May 31, 2004	1,000
To March 31, 2005	1,375
March 31, 2006	Balance due including interest adjustments

The account is currently due and the remaining balance will be due and payable in full if any payments are missed.

As at June 30, 2004 the Corporation had made all payments in accordance with the agreement.

The Corporation paid interest during the year of $11,568 (2003 - $11,458).

Note 10 - Notes Payable

The Corporation received operating loans of $20,000 during the prior year from Zeo-Tech Enviro Corp. ("Zeo-Tech"), a strategic partner of the Corporation in its production and marketing of zeo-lite in Canada and internationally. At June 30, 2004 the Corporation owes $Nil (2003 - $14,000) to Zeo-Tech in respect of these loans, which are unsecured, non-interest bearing and due on demand.

Note 11 - Related Party Transactions

During the year, the Corporation entered into the following transactions with related parties:

(i) The Corporation paid consulting fees of $60,000 (2003 - $69,000) to companies controlled by directors.

(ii) The Corporation has repaid advances from the president in the amount of $4,500 (2003 - $3,912).

The above transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

Note 12 - Share Capital

(a) Authorized:

Unlimited number of common shares
Unlimited number of first preferred shares
Unlimited number of second preferred shares

Note 12 - Share Capital *(Continued)*

(b) Issued and outstanding common shares:

	2004		2003	
	Number	Amount	Number	Amount
Balance, beginning of year	19,669,044	$ 2,820,777	18,909,044	$ 2,692,087
Pursuant to a flow-through unit offering	-	-	760,000	76,000
Pursuant to a private placement	525,500	105,010	-	-
Subscriptions received for private placement issued subsequent to the year-end	249,500	-	-	49,990
Share purchase warrant subscriptions received for shares issued subsequent to the year-end	18,000	-	-	2,700
Share purchase warrants exercised	270,000	40,500	-	-
Balance, end of year	20,732,044	$ 2,966,287	19,669,044	$ 2,820,777

2004 Share Transactions:

On July 7, 2003 the Corporation completed a private offering of 475,000 units at $0.20 per unit for gross proceeds of $95,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Corporation exercisable at $0.30 at any time prior to close of business on the date that is the earlier of (1) July 7, 2004 or (2) fourteen days from the date the Corporation issues a notice to the warrant holders that the closing price or closing bid price of the Corporation's common shares on the TSX Venture Exchange have been at or above $0.50 for a period of five consecutive days.

On September 19, 2003 the Corporation completed a private offering of 300,000 units at $0.20 per unit for gross proceeds of $60,000. Of this amount $49,900 was received in the prior year. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Corporation exercisable at $0.30 at any time prior to the close of business on the date that is the earlier of (1) September 12, 2004 or (2) fourteen days from the date the Corporation issues a notice to the warrant holders that the closing price or closing bid price of the Corporation's common shares on the TSX Venture Exchange have been at or above $0.50 for a period of five consecutive days.

Note 12 - Share Capital *(Continued)*

2003 Share Transactions:

On January 9, 2003 the Corporation completed a private placement offering of 190,000 units at $0.40 per unit for gross proceeds of $76,000. Each unit consists of one flow-through common share, three regular common shares and two common share purchase warrants. Each warrant entitles the holder to acquire one common share of the Corporation prior to the close of business on December 31, 2003 at an exercise price of $0.15 per share.

As part of the private placement offering completed during the year, the Corporation issued 190,000 flow-through common shares at a deemed price of $0.10 per share. On December 31, 2002, the Corporation renounced exploration expenditures in the amount of $19,000 and has no further liability with respect to the flow-through shares issued during that year.

The Corporation received share purchase warrant subscriptions aggregating $2,700 upon the exercising of 18,000 warrants at a price of $0.15 per warrant. Each warrant is exchangeable for one common share upon exercise. The common shares were issued on July 7, 2003.

Escrowed Shares:

Under the requirements of the Alberta Securities Commission and the TSX Venture Exchange, 2,431,003 Common shares are held in escrow and will be released upon the written consent of the Alberta Securities Commission. The original escrowed shares have been released as to 10% thereof on the completion of the Corporation's Qualifying Transaction and as to 15% thereof on each of the 6, 12, 18, 24, 30 and 36 months following the initial release.

On January 29, 2004, the Corporation obtained approval from the TSX to convert 2,431,003 common shares currently held in performance escrow and work escrow to time release escrow. At June 30, 2004, the shares had not yet been released.

Note 12 - Share Capital *(Continued)*

(c) Warrants

In connection with the issuance of common shares by private placement, the Corporation has issued share purchase warrants entitling the holders to buy common shares of the Corporation on a due one for one basis.

A summary of the status of the outstanding whole warrants as of June 30, 2004 and 2003 and changes during the years then ended is presented below:

	2004		2003	
	Number of Warrants	Weighted Average Exercise Price ($)	Number of Warrants	Weighted Average Exercise Price ($)
Outstanding, beginning of year	362,000	0.15	-	-
Issued	775,000	0.30	380,000	0.15
Exercised	(288,000)	(0.15)	(18,000)	(0.15)
Expired	(74,000)	(0.15)	-	-
Outstanding, end of year	775,000	0.30	362,000	0.15
Exercisable, end of year	775,000	0.30	362,000	0.15

Subsequent to the year end, 475,000 warrants expired on July 7, 2004 and an additional 300,000 warrants will expire on September 12, 2004 if not exercised.

On July 7, 2003, the Corporation issued 18,000 common shares. The Corporation received proceeds of $2,700 when the warrants were exercised in the 2003 fiscal year.

Note 12 - Share Capital *(Continued)*

(d) Stock option plan:

Under the Corporation's stock option plan, the Corporation may grant options to employees, consultants, officers and directors totaling up to 10% of its issued and outstanding common shares. In addition, the aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares.

The following summarizes the status of the stock option plan as of June 30, 2004 and 2003, and the changes during the years then ended.

	2004		2003	
	Number of Shares	Weighted Average Exercise Price ($)	Number of Shares	Weighted Average Exercise Price ($)
Outstanding, beginning of year	1,580,000	0.20	1,505,000	0.24
Granted	-	-	1,100,000	0.20
Expired/cancelled	(400,000)	(0.20)	(1,025,000)	(0.24)
Outstanding, end of year	1,180,000	0.20	1,580,000	0.20
Exercisable, end of year	1,180,000	0.20	1,580,000	0.20

The stock options have a weighted average remaining life of 2.9 years.

Additional information about stock options outstanding at June 30, 2004:

Grant Date	Number of Shares	Price ($)	Expiry Date
June 17, 2000	300,000	$ 0.20	June 16, 2005
December 23, 2000	30,000	0.25	December 22, 2005
January 17, 2003	650,000	0.20	January 16, 2008
April 17, 2003	200,000	0.20	April 4, 2008
	1,180,000		

Note 13 - Income Taxes

The income tax provision differs from the income taxes obtained by applying the effective corporate tax rate and is reconciled as follows:

	2004	2003
Loss before income taxes	$ (170,047)	$ (21,588)
Corporate tax rate	38%	38%
Calculated income tax expense	(64,618)	(8,203)
Increase (decrease) resulting from:		
Expenses not deductible for tax	1,547	353
Temporary differences for which no tax benefit has been recognized.	63,071	7,850
Income tax provision	$ -	$ -

The Corporation has accumulated income tax expenditures carried forward which differ from the amounts capitalized for accounting purposes resulting from renunciations made to shareholders and assets acquired with a tax basis different than the accounting basis.

Note 13 - **Income Taxes *(Continued)***

Temporary differences and loss carry-forwards that give rise to future income tax assets as of June 30, 2004 and 2003 are as follows:

	2004	2003
Future income tax assets		
Non-capital loss carryforwards	$ 665,000	$ 618,000
Net tax values in excess of book values	265,000	264,000
Total future income tax assets	930,000	882,000
Valuation allowance	(930,000)	(882,000)
	$ -	$ -

The valuation allowance offsets the net future income tax assets for which there is no assurance of recovery and is evaluated considering positive and negative evidence about whether the future income tax assets will be realized. At the time of evaluation, the allowance is either increased or reduced. A reduction could result in the complete elimination of the allowance if positive evidence indicated that the value of the future income tax assets is no longer impaired and the allowance is no longer required.

The Corporation has non-capital losses for tax purposes of approximately $1,750,000 which may be used to offset future taxes payable and will expire as follows:

2005	$ 75,000
2006	221,000
2007	411,000
2008	572,000
2009	304,000
Thereafter	167,000
	$ 1,750,000

The Corporation has resource tax pools aggregating $361,000 which may be carried forward indefinitely.

Note 14 - Financial Instruments

The fair values of cash, accounts receivable, accounts payable and accrued liabilities, contract fees payable, notes payable and related party advances approximate their carrying values given the expected short term to maturity of these instruments.

Credit risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist primarily of accounts receivable. The Corporation performs ongoing credit evaluations of its customers' financial condition and limits the amount of credit extended when deemed necessary. The Corporation maintains adequate reserves for potential credit losses as estimated by management, who believes the risk is instigated by the size and reputation of their customers.

Interest rate risk

All of the Corporation's financial instruments are non-interest bearing or at fixed rates, thereby minimizing exposure to interest rate risk.

Foreign exchange risk

Financial instruments, which expose the Corporation to foreign exchange risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates, consist primarily of the foreign denominated portion of accounts receivable and accounts payable and accrued liabilities. The Corporation does not use derivative instruments but does maintain a foreign denominated bank account to mitigate its exposure to foreign exchange risk.

Note 15 - Segmented Information

The Corporation operates within one business segment being the exploration and development of zeolite deposits to commercialization of related techniques. All of the Corporation's assets, operations and employees are located in Canada.

Note 16 - Economic Dependence

The Corporation is economically dependent on one customer which accounted for 80% (2003 - 76%) of revenues.

Approximately 71% (2002 - 64%) of the Corporation's accounts receivable are due from the same customer.

The Corporation is economically dependent on two vendors which accounted for 56% of cost of goods sold. Approximately 52% of the Corporation's accounts payable are due to the same vendor.

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